

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 18, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Randall Avery, Acting Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Lt. Lisa Soiett, Bureau of Enforcement. **Guests:** Al Picconi, United Beverages, Inc.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending May 8, 2005 show a variance of \$795,487 for an increase of 12.47% between FY04 and FY05. Yearly, sales were up around 6.2% or \$20,171,003.

B. Budget/Administrative Reports:

The Commission has no items on the Governor and Council agenda for this morning's meeting.

Two representatives from different companies are scheduled to come in to assess the warehouse project, one this morning and the other next Tuesday. These sources were obtained from some brokers as companies who assist them with their warehouse operations. Craig hopes to have a third company come in as well.

Early last week an e-mail message was received from Representative Smith. A copy was forwarded to each Commissioner, along with a response from Aidan Moore. Commissioner Byrne asked that a copy of Aidan's memo be forwarded to Representative Smith and the represented constituent.

The W-6 Expense Budget Activity Variance Report for the week ending May 17th shows the year to be at about 87.9% expired, with around 88% of the budget expended. The benefit category is running into negative numbers. This represents a problem in that agencies cannot run negatives with the insurance company (Davis & Towle). George has contacted Joe Bouchard about this and will report back to the Commission. In addition, OIT billings will exceed appropriations. The Commission will only give them what was originally expected.

The KPMG audit went very well; the auditors will be returning some time next fall.

There are currently quite a few rubbish contract two-year extensions being developed in Accounting.

2. IT Report

The Commission granted permission to Howard and Peter to attend a show on retail systems in Chicago next Friday for a one day period.

Three bidders submitted RFPs for the point-of-sale maintenance contract – Connecticut Valley, NETS and CBE Technologies. These are currently being evaluated, and the contract should be awarded shortly.

Howard reviewed spreadsheet information regarding IT projects currently in progress.

IT is in the process of renumbering, which will change the address to be folded into the state network. This will provide better security measures. This will implemented in just a couple of stores to start.(?)

3. Human Resources Report

Evie reported that there is a \$339,591 cost decrease in worker compensation payments between FY04 and FY05, which is very significant. The number of compensation incidences has reduced dramatically.

A meeting will be held with Risk Management regarding the new action plan. There are still quite a few issues to move forward on. Hopefully a report will be available within the next couple of weeks.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 5/15/05 increased over the same week last year by 16.23% or \$783,956.23. Many stores experienced brisk business over the weekend. The new Center Harbor store produced about \$7,000 during the first three days it was open for business. We are currently in the middle of a 15% cash sale, and spirit sales have gone up \$500,000.

The driveway at the new Keene location is now paved, and the door was installed last week. Peter said there will be a lot of activity going on this

coming week. There should be no problems with installation of wiring for phones, etc.

A. Recommendation Summer Hours Extension:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve extensions of store hours for Store #39, Wolfeboro, effective May 29 through October 9, 2005 and Store #41, Seabrook, effective June 24 through September 3, 2005, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. 2005 Summer and Fall Security Details:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store security details for the upcoming Summer and Fall 2005 seasons at Stores #66 and #67 Hooksett, #73 and #76 Hampton, #42 Meredith, #56 Gilford and #75 Belmont, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report

A shipment of Jack Daniels, 750ML size, which was out-of-stock, arrived yesterday.

3. Merchandising Report:

A. SPIRITS:

1) Father's Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fifty-two (52) spirit items to be featured during the upcoming Father's Day Sale, scheduled for Thursday, June 9 through Sunday, June 19, 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

2) 3-Month Warning Products:

a. 7 items specialty; 20 items delist:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seven (7) spirit items which exceeded gross profit requirements to continue to be listed as specialty

items, and approve delisting of twenty (20) spirit items which failed to achieve specialty gross profit requirements, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 31 items specialty; 19 items delist:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-one (31) spirit items which exceeded specialty gross profit requirements to be designated as specialty items, and approve the delisting of nineteen (19) spirit items which failed to achieve both full and specialty gross profit requirements, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Test Market Products:

- a. Test Market Request (Voyant Chai Cream Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH/Bacmar International for a new test market listing for Voyant Chai Cream Liqueur, 750ML size (assigned new Code #8140), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

- b. Test Market Request (Players Extreme rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Blavod Extreme Spirits for new test market listings for the following three (3) 750ML size products, as recommended by Richard Gerrish, Spirits Marketing Specialist: Players Extreme Mango Rum (assigned new Code #4458), Players Extreme Banana Rum (assigned new Code #4457) and Players Extreme Coconut Rum (assigned new Code #4459). The motion was unanimously adopted.

- c. Test Market Result (Code #4540):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #4540, Cles Des Ducs Armagnac, 750ML size, which failed to achieve both full distribution and specialty gross profits at the conclusion of a

three-month test market extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Line Extension Requests:

a. Sauza Hornitos Tequila, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA, for a line extension to Sauza Hornitos Tequila in the 375ML size (assigned new Code #3977), as this brand in both the 750ML and 1.75L sizes have exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. Sauza Gold Tequila (PET), 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA, for a line extension to Sauza Gold Tequila (PET) in the 750ML size (assigned new Code #3496), as this brand in both the 750ML and 1.75L sizes have exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

c. Fleischmann's Gin (PET), 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd., for a line extension to Fleischmann's Gin (PET) in the 750ML size (assigned new Code #3214), as this brand in the 1.75L size has exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

d. Lauder's Scotch (PET), 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd., for a line extension to Lauder's

Scotch (PET) in the 750ML size (assigned new Code #2782), as this brand in the 1.75L size has exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

e. Kamora Coffee, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC, for a line extension to Kamora Coffee in the 50ML size (assigned new Code #5393), as this brand in both the 750ML and 1.75L sizes have exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

f. Jim Beam Black Bourbon, 50ML

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC, for a line extension to Jim Beam Black Bourbon in the 50ML size (assigned new Code #1298), as this brand in both the 750ML and 1.75L sizes have exceeded the gross profit requirements for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

5) Mark Down (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve further mark down pricing on eight (8) delisted test market items to assist in depleting remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

6) Purchase Request (Dalmore Single Malt Scotch):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Future Brands LLC for the Commission to purchase a container of Dalmore Single Malt Scotch for display in stores during June, July and August 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

7) July Special Offers:

a. 4 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon special purchase allowances for four (4) spirit items, to be featured on sale during July 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. 145 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon special purchase allowances for one hundred forty-five (145) spirit items, to be featured on sale during July 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

c. 26 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon special purchase allowances for twenty-six (26) spirit items, to be featured on sale during July 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

d. 15 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon special purchase allowances for fifteen (15) spirit items, to be featured on sale during July 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

e. 3 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve additional special offers from United Beverages, Inc., based upon depletions (without matching state funds) for three (3) spirit items, to be featured on sale during July 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

- 8) Tabled Item: Test Market Result (Code #5314) – tabled 5/4/05,
Item A-1-c: Item remained on the table until next week's meeting.

B. WINES:

1) August Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission reverse their former decision and approve 10% off French wines and a 10% discount off 12 bottles or more of 750ML size wines during the August Wine Sale, scheduled for Monday, August 1 through Sunday, August 28, 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for July 2005:

a. 8 items – Father's Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers for the upcoming June 2005 Father's Day Sale, based upon depletions of eight (8) wine items, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

b. 2 items – F & F Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from F & F Imports LLC, based upon depletions/special purchase allowances for two (2) wine items, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

c. 1 item – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from R.P. Imports, based upon depletions for one (1) wine item, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

d. 41 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for forty-one (41) wine items, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- e. 26 items – Charles Saunders:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Saunders, based upon depletions for twenty-six (26) wine items, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- f. 48 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions/special purchase allowances for forty-eight (48) wine items, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- g. 3 items – Martignetti Companies of N.H. (June 2005):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Martignetti Companies of N.H., based upon depletions for three (3) wine items, to be featured on sale during June 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- h. 17 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for seventeen (17) wine items, to be featured on sale during July 2005, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- 3) 187ML 4-Pack Selection in the Stores:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the discontinuation of seven (7) wine items presently in Test I, approve the introduction of five (5) wine items to stores, and approve the expansion of four (4) wine items to stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

4) Ferrari Carano Cabernet Offer:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for line extension for Ferrari Carano Cabernet Sauvignon, to be distributed to all Cluster 1 stores and Stores #55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Purchase & Display Red Diamond:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./ Ste. Michelle Winery for the purchase and display of three (3) Red Diamond wines during July and August, including in-store samplings and dry tastings, to be distributed to Cluster 1 and 2 stores, as recommended by Nicole Brassard and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Purchase & Display Fish Eye:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ The Wine Group for the purchase and display of four (4) Fish Eye wines during July and August 2005, to be distributed to Cluster 1 stores and Stores #42 Meredith, #25 Stratham, #6 Portsmouth, #23 Conway, #54 Glen, #49 Plaistow, #41 Seabrook and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

7) Beringer Founders Trek Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ Beringer Blass Wine Estates to conduct the Beringer Founders Trek Sweepstakes during June 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Recommended for Second Size (2 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve second size listings for two (2) wine codes, to be placed in Cluster 1 stores and Stores #60 West Lebanon, #55 Bedford, #15 Keene and #23 Conway, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- 9) Recommended Allocated Wines for Distribution to Selected Stores:

- a. 12 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twelve (12) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 8 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eight (8) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- 10) “R” Wines for Allocation to Licensees Selected by the Broker:

- a. Code #26248:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine (Code #26248) for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Code #39940:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine (Code #39940) for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- 11) Primary Source Submissions (4 primary source; 24 exclusive agent; 25 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of four (4) wine codes which are from primary source, twenty-four (24) wine codes offered by the exclusive marketing agent and twenty-five (25) imported wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

- 12) Tabled Items: Purchase & Display Mazzocco Wines (tabled 4/27/05, Item A-1-c:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that this item be removed from the table, and that a request from Wineberries, Ltd. for the Commission to purchase and display two (2) Mazzocco wine products during June and July, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, be denied. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report presented.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 11 through May 25, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

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